

To Federal Communications Commission Chairman Julius Genachowski, Commissioners Michael Copps, Mignon Clyburn and Robert McDowell:

How C-Spire's iPhone 4S Serves AT&T:

Regional carrier C Spire's new iPhone could be used as an argument to support the AT&T/T-Mobile merger. Let's make sure that doesn't happen.

C Spire, the former Cellular South, yesterday became the first U.S. regional carrier to sell the iPhone, leapfrogging several larger carriers in its quest. The news is a bit of a shock, as Apple never showed an inclination to serve the "little guys" before. But C Spire selling the iPhone actually serves Apple's biggest partner, AT&T, and we have to make sure that it isn't used as another lousy argument in favor of AT&T's competition-killing merger with T-Mobile.

The eighth-largest U.S. carrier, C Spire serves about 900,000 subscribers in five Southern states, but it's been punching above its weight in Washington recently thanks to its outspoken CEO, Hu Meena. As president of the Rural Cellular Association, a collection of smaller wireless carriers, Meena has been vocal in opposing the AT&T/T-Mobile merger. He's focused several times on opposing big-carrier phone exclusives and demanding that LTE phones be required to be compatible with a range of networks so rural carriers can roam with more than one national carrier. Along with Sprint, C Spire has also filed an antitrust suit opposing the AT&T/T-Mobile merger.

Apple's decision to go with C Spire obviously doesn't come from its size, and it may not come solely from its compatibility with Apple's wireless technologies. Much larger U.S. Cellular, the sixth-largest carrier with 6.1 million customers, is compatible with the exact same model of the iPhone that C Spire is using, but U.S. Cellular hasn't gotten hold of the device yet. There are also some smaller compatible carriers, such as nTelos with about 400,000 subscribers.

Other U.S. carriers, including T-Mobile (No. 4), MetroPCS (No. 5), Cricket (No. 7), and Cincinnati Bell (No. 9) all use the AWS frequency band, which Apple's iPhones don't support.

You see where this is going. Small carrier complains that big carriers prevent the little guys from getting great phones. AT&T is Apple's oldest, closest carrier partner. Apple doesn't need to do any additional work to make the iPhone work on C Spire. So AT&T suggests to Apple?and yes, this is my speculation?why not throw those little guys a bone? Now AT&T can go to Congress and say that Meena is full of hot air. Look, he has the iPhone.

(Ars Technica, or Wired, has a different theory: basically, that Southerners are backward and that C Spire is unusually good at selling phones to technology-averse hicks. This feels to me too much like a generalization based on a regional stereotype.)

Don't Get Distracted By The Shiny iPhone

None of this allays C Spire's concerns over AT&T dominating spectrum and locking rural carriers into one-sided LTE roaming agreements where they can't select from a variety of partners, because the phones only work on one national LTE provider. But iPhones! They're shiny!

Apple could sell more iPhones by going to U.S. Cellular, and it could sell a lot more iPhones by building a model that includes AWS. Yes, back in the opening days of the iPhone Apple wanted to build only one model for the whole world, but Apple has been doing this for four years now, and I think it would look beyond that operational simplicity if it felt it would sell a lot of phones. I've even heard that T-Mobile was starting marketing plans for the iPhone 4S, but that something suddenly derailed it.

I suspect that what derailed T-Mobile were calls from both Deutsche Telekom and AT&T to Apple saying the effort wasn't worth it, that they intend the merger to go through and that would make an AWS iPhone much less valuable. Of course, this is a self-fulfilling prophecy, as a lack of an iPhone makes T-Mobile less viable and makes the merger more likely to go through.

We all know that DT is subtly trying to get T-Mobile to commit suicide, to further the merger. This goes against the valiant efforts of T-Mobile USA's staff and executives all the way up to Chief Technology Officer Neville Ray, who are opposing their parent company's tactics by building a terrific HSPA+ network and selling great phones. DT obviously needs to sell T-Mobile USA, just not to another major U.S. wireless carrier.

So the new iPhone is great for C Spire. But let's keep an eagle eye out: this small move doesn't mean that the AT&T/T-Mobile merger would be any less destructive to competition and innovation in U.S. wireless.

Sincerely,

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